



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	SB0509	Title:	Revise contract sales price of underground mined coal
Primary Sponsor:	Gebhardt, Kelly	Status:	As Amended

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact:

This bill provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purposes of calculation of the coal taxes. This bill has no fiscal impact to the Department of Revenue.

FISCAL ANALYSIS

Assumptions:

- Section 3 of this bill amends 15-35-102, MCA (definitions for coal severance tax). These definitions also apply to the coal gross proceeds tax (title 15, chapter 23, part 7, MCA). The term "coal washing" is defined as "any treatment to remove impurities from underground mined coal. Coal washing may include but is not limited to operations such as flotation, air, water, or heavy media separation, drying, and related handling". This section of the bill provides that washing costs for coal produced from an underground mine are not included in the calculation of contract sales price of coal.
- Section 4 of this bill amends 15-35-107, MCA (when value of coal may be imputed – procedure). Under current law (15-35-107(1), MCA), the Department of Revenue is required to impute the value of coal at the request of the taxpayer, even if a legitimate arms-length transaction exists for purposes of establishing

the value of the coal. This bill removes this subsection from the statute. This section of the bill removes two cases under which the department may impute the value of the coal: a case where the operator of a coal mine refines the coal by drying, cleaning, or other processing designed to improve the quality of the coal, and a case where a person neglects or refuses to file a statement under 15-23-701 or a statement and tax return under this chapter.

3. Section 2 of this bill amends 15-23-70, MCA. This amendment corrects a reference in this statute to 15-23-701, MCA to make the reference consistent with numbering changes in 15-23-701, MCA under section 1 of this bill.
4. Section 5 of this bill provides that this bill is effective on passage and approval.
5. Section 6 of this bill provides that this bill applies to coal mined after June 30, 2009.
6. At the present time, coal washing processes are not used by mines in Montana.
7. This bill has no fiscal impact to the Department of Revenue.

Sponsor's Initials

Date

Budget Director's Initials

Date